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There appears to be little room for a human centered approach in contemporary economics, which focuses on the dilemma of unlimited wants confronting limited resources. But the science of scarcity has not always been the core of economic thought. This essay traces the concern for human well-being and self-development in the history of economics and describes the emergence of a school of "humanistic economics" in the nineteenth century.

Adam Smith, the founder of modern economics was in a sense narrowly concerned with material values, but recognized that what counted was the material interests of the people at large. His original description of the "invisible hand," in his first classic, *The Theory of Moral Sentiments*, was that the rich "are led by an invisible hand to make nearly the same distribution of the necessaries of life which would have been made had the earth been divided into equal portions among all its inhabitants ..."[1]

Smith recognized the importance of "moral sentiments" in creating a spirit of good will and reciprocity throughout society. *An Inquiry into the Wealth of Nations,* written in 1776, is infused with the themes of optimism and harmony; self-interest, held in check by competition, will lead to increasing wealth for all.

Yet in the hands of Smith's successors, such as Say, Ricardo, and Malthus, classical economics became increasingly preoccupied with the search for "natural laws" governing the distribution of wealth. For Ricardo and Malthus, those laws led inexorably to immiseration for almost everyone.

Simonde de Sismondi, a Swiss aristocrat, was the first well-known critic of classical economics, writing in the early nineteenth century. In Sismondi's view, the invisible hand of competition did not help workers, but instead produced periodic crises of overproduction and unemployment. Sismondi believed in providing material well-being for all as a necessary basis for moral and intellectual development. He advocated reforms such as shorter working days, abolition of child labor, progressive taxation, and support for the unemployed and the elderly.

John Stuart Mill was the last and most humanistic of the great classical economists. Mill distinguished between the laws of production, which he viewed as immutable scientific truths, and the laws of distribution, which depend upon the customs and institutions of society. Mill's ideal was a society "in which, while no one is poor, no one desires to be richer, nor has any reason to fear being thrust back, by the efforts of others to push them forward."[2] Similarly, he remained critical of the individualistic, hedonistic form of utilitarianism developed by Jeremy Bentham.

After Mill, economics branched off in three directions: Marx, humanistic, and neoclassical economics. The work of Karl Marx mixes humanistic and non-humanistic elements. His early, more humanistic writing argued that the process of human self-realization occurred through the formation of, and conflict between, social classes based on economic position. The whole evolution of capitalism becomes a mere step towards a new system that would allow more self-realization and less alienation. The Economic and Philosophical Manuscripts, the most important of Marx's early writings, contains the outlines of an economy of human needs, thwarted by the institutions of capitalism.

In later years Marx turned to the development of "scientific," often quantitative, laws of development of capitalism. The earlier concepts of individual alienation and self-realization vanished into the aggregate categories of class and class struggle. Only after “the expropriators are expropriated” - after capitalism is overthrown and replaced by socialism- will fulfillment be possible for the working class. This reduction of individual needs and values into the domain of group economic self-interest undercuts the humanism of the early Marx.

A contemporary of Marx, John Ruskin, was central to the development of humanistic economics. Ruskin maintained that conventional economic theorizing was logical but uninteresting, since it assumed away all the social aspects of life, but treated avarice as the essential, constant human characteristic. He compared it to "a science of gymnastics which assumed that men had no skeletons."[3] Ruskin claimed that commodities have value only to the extent that they satisfy basic human needs; market prices and scarcity often represent capricious desires rather than basic needs.

Real wealth, for Ruskin, had two components: the production of useful things, and the production of the capacity to use them. Human capacity to use and appreciate things is, to a large extent, determined by the nature of work. Thus, Ruskin did not advocate machine production, preferring instead creative, imaginative labor that made beautiful things and enriched laborers' capabilities.

John Hobson carried on and extended Ruskin's work. Hobson identified both immediate physical needs and higher values as contributing to human welfare; both, he believed, were important on a biological basis. Since social cooperation plays so large a part in human life, it must have evolutionary survival value. Therefore an ordered economic system, promoting cooperative behavior, will maximize human welfare. Mass production could efficiently satisfy basic physical needs; but other objectives such as meaningful work, participation in decision-making, and economic security were key ingredients of Hobson's good society. Like Sismondi and Ruskin before him, Hobson went almost entirely unrecognized by the economics profession.

Modern neoclassical economics was born between 1870 and 1900, pushing aside whatever was left of humanistic values, and developing mathematical formalisms based on utilitarian calculus. The law of diminishing marginal utility was originally based on Karl Menger's concept of a hierarchy of needs, to be satisfied in order of importance. But in the hands of other economists such as Jevons and Edgeworth, the hierarchy of needs gave way to an unspecified variety of wants, allowing the mathematical treatment of marginal utility to proceed. This not only avoided the value judgments that Menger was willing to make about economic behavior and policy, but more importantly provided supporters of neoclassical economics with an alternative to Karl Marx's disturbing variant on classical economics.

With all human needs reduced to the common denominator of utility, the neoclassical school could argue that all economic behavior followed the principle of rational, calculating utility maximization. Many other problems were solved by the same framework. For example, the marginal productivity theory and sought to explain that the shares of income going to wages, rent, and interest as determined by the contribution that labor, land, and capital made to satisfying the consumer at the end of the line.

Alfred Marshall, the British economist who gave these theories their modern form, had some moral qualms and broader insights, but failed to incorporate them into his economic analysis. Originally a theology student, Marshall was well aware of the moral issues raised by Mill and others; he recognized and wrote about the distinction between basic wants and "efforts and activities" of a higher nature, but judged that economic theory was not yet ready to address such issues. Instead, Marshall formalized the theory of "rational economic man" as a utility maximizer, analogous in detail to the theory of the firm as a profit maximizer.

The most effective critic of the emerging neoclassical theory was Thorstein Veblen, who argued that a person "is not simply a bundle of desires that are to be saturated ... but rather a coherent structure of propensities and habits which seek realization and expression in an unfolding activity."[4] Consumption behavior of the wealthy and even the not-so-wealthy, said Veblen, is based heavily on the behaviors and reactions of others, not on individuals' independently defined preferences. Consumers in thrall to social trends, fashions and advertising can hardly be the rational economic men described in textbooks. Yet Veblen's critique, influential in the realm of social commentary, had little or no effect on economic theory.

In summary, humanistic economists have traditionally favored a mode of analysis that can be described as organic, historical, social, and institutionally prescriptive. A preoccupation with the social context involves ethical considerations; humanistic economists never believed that advocacy of social reform was in conflict with their scientific endeavors. Finally, a concern with human welfare led humanistic economists to focus on the role of work as a vehicle to satisfy many human needs directly, and to advocate humanization of the workplace.

Notes

1. Adam Smith, The Theory of Moral Sentiments, quoted in Lutz and Lux, 28.
2. John Stuart Mill, The Principles of Political Economy (1898), quoted in Lutz and Lux, 32.
3. John Ruskin, Unto This Last, quoted in Lutz and Lux, 39.
4. Thorstein Veblen, The Place of Science in Modern Civilization and Other Essays, quoted in Lutz and Lux, 49.